

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6313

BILL NUMBER: SB 90

NOTE PREPARED: Nov 23, 2004

BILL AMENDED:

SUBJECT: Sales Tax Exemption for Certain Internet Property.

FIRST AUTHOR: Sen. Ford

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a Sales Tax exemption for transactions involving property that is: (1) capable of providing broadband Internet service; (2) owned by or leased to a broadband service provider; and (3) located outside a customer's premises.

Effective Date: July 1, 2005.

Explanation of State Revenues: This bill extends the current Sales Tax exemption on certain telecommunications infrastructure equipment to include property that is capable of providing broadband Internet service. Exempting the purchase and lease of this property will decrease state Sales Tax revenue. The impact on state revenue is currently unquantifiable, as it is contingent upon the future deployment of these services. Nonetheless, given the current and expected growth in demand for broadband service and the various technologies that are capable of offering broadband service, the potential revenue loss could be significant.

Background Information: Under current law, certain transactions involving the sale of telecommunications equipment are exempt from the Sales Tax if the equipment is used primarily for telecommunications services. Technological advances, however, continue to blur the distinctions between equipment used for telecommunications and that used to provide Internet service. Firms are now often able to use the same infrastructure to provide telephone, Internet, and cable television services, and it is expected that the deployment of most new infrastructure in the telephone, Internet, and cable television industry will be capable of providing broadband Internet service.

The Department of State Revenue's current procedure in cases where systems are able to provide both Internet

and phone service is to exempt equipment purchases from the Sales Tax if the equipment is predominately used to provide telecommunications services.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Adam Brown, 317-232-9854